

**DIXIE WORKSHOPS, INC.
(NONPROFIT ORGANIZATION)**

**AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
AND COMPLIANCE REPORTS**

FOR THE YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Dixie Workshops, Inc.
St. George, Utah

We have audited the accompanying statement of financial position of Dixie Workshops, Inc. (a nonprofit organization) as of June 30, 2008, and the related statements of activities; functional expenses; and cash flows for the year then ended. These financial statements are the responsibility of Dixie Workshops' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Workshops, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2008, on our consideration of Dixie Workshops' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
December 29, 2008

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DIXIE WORKSHOPS, INC.

Statement of Financial Position

June 30, 2008

ASSETS

Current Assets:

Cash (Note 2)	\$	11,483
Receivables (Note 3)		41,106
Other Assets		48
Total Current Assets		<u>52,637</u>

Fixed Assets: (Note 4)

Vehicles		223,016
Furniture, Fixtures & Equipment		20,089
Less: Accumulated Depreciation		<u>(180,051)</u>
Total Fixed Assets		<u>63,054</u>

TOTAL ASSETS

\$ 115,691

LIABILITIES & NET ASSETS

Accounts Payable	\$	10,538
Other Liabilities		-
Current Portion of Long Term Debt (Note 5)		<u>12,613</u>
Total Current Liabilities		23,151

Long-Term Debt (Note 5)

54,393

Total Liabilities

77,544

Net Assets:

Unrestricted Net Assets:

Operations:

Undesignated		42,099
Fixed Assets		<u>(3,952)</u>
Total Unrestricted Net Assets		<u>38,147</u>

TOTAL LIABILITIES & NET ASSETS

\$ 115,691

The Accompanying Notes are an Integral
Part of These Financial Statements

DIXIE WORKSHOPS, INC.

Statement of Activities
For the Year Ended June 30, 2008

	<u>Operations</u>	<u>Unrestricted Fixed Assets</u>	<u>Total</u>
PUBLIC SUPPORT & REVENUE:			
Public Support:			
State Division of Services for People with Disabilities Program	\$ 493,741	\$ -	\$ 493,741
Vocational Rehabilitation Program	4,861	-	4,861
Total Public Support	498,602	-	498,602
Revenue:			
Local Services	33,588	-	33,588
Gain on Sale of Fixed Assets	-	-	-
Total Public Support & Revenues	<u>532,190</u>	<u>-</u>	<u>532,190</u>
FUNCTIONAL EXPENSES:			
Program Services	392,255	8,776	401,031
Administration	111,292	3	111,295
Total Functional Expenses	<u>503,547</u>	<u>8,779</u>	<u>512,326</u>
Change in net assets	28,643	(8,779)	19,864
Property & Equipment Acquisitions & Transfers			
From Current Funds	(15,600)	15,600	-
Net assets, beginning of year	29,056	(10,773)	18,283
NET ASSETS, END OF YEAR	<u>\$ 42,099</u>	<u>\$ (3,952)</u>	<u>\$ 38,147</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

DIXIE WORKSHOPS, INC.Statement of Functional Expenses
For the Year Ended June 30, 2008

	<u>Program Services</u>			Total
	<u>Supported Employment</u>	<u>Day Treatment</u>	<u>Administrative</u>	<u>Expenses</u>
Payroll:				
Salaries	\$ 98,518	\$ 83,922	\$ 66,602	\$ 249,042
Fringe	15,117	12,877	23,847	51,841
Total Payroll	113,635	96,799	90,449	300,883
Other:				
Professional Services	4,656	3,896	951	9,503
Dues & Subscriptions	-	-	-	-
Client Payments	11,139	-	-	11,139
Interest Expense	2,616	2,229	-	4,845
Liability Insurance	-	-	1,784	1,784
Licenses & Permits	1,025	874	-	1,899
Miscellaneous	1,126	942	231	2,299
Occupancy	23,504	19,666	4,797	47,967
Program Supplies	13,268	11,303	-	24,571
Supplies	874	731	178	1,783
Repairs & Maintenance	1,389	1,162	284	2,835
Communications	8,385	7,016	1,711	17,112
Transportation	35,944	30,076	7,336	73,356
Travel & Training	-	-	3,571	3,571
Total Expenses Before Depreciation	217,561	174,694	111,292	503,547
Depreciation	4,739	4,037	3	8,779
Total Expenses	<u>\$ 222,300</u>	<u>\$ 178,731</u>	<u>\$ 111,295</u>	<u>\$ 512,326</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

DIXIE WORKSHOPS, INC.

Statement of Cash Flows For the Year Ended June 30, 2008

Cash Flows from Operating Activities:

Cash from State Programs	\$ 496,518
Cash Received for Local Services	33,588
Cash Paid for Operating Expenses	(241,235)
Cash Paid to Employees and Clients	<u>(260,181)</u>
Net Cash Provided from Operations	<u>28,690</u>

Cash Flows from Investing Activities:

Purchase of Fixed Assets	(41,334)
Cash Received for Sale of Fixed Assets	<u>-</u>
Net Cash Used for Investing Activities	(41,334)

Cash Flows from Financing Activities:

Proceeds from Long-Term Debt	38,834
Payments on Long-Term Debt	<u>(13,100)</u>
Cash Provided by Financing Activities	<u>25,734</u>

Increase/(Decrease) in Cash

13,090

Cash at Beginning of Period

(1,607)

Cash at End of Period

\$ 11,483

The Accompanying Notes are an Integral
Part of the Financial Statements

DIXIE WORKSHOPS, INC.
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2008

**RECONCILIATION OF CHANGES IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 19,864
Adjustments to Reconcile Net Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	8,779
Loss on Disposal of Fixed Assets	-
Changes in Operating Assets and Liabilities	
Decrease (Increase) in Receivables	(2,085)
Increase (Decrease) in Accounts Payable	3,576
Decrease in Line of Credit	<u>(1,444)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 28,690</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	<u><u>\$ 4,845</u></u>
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The Accompanying Notes are an Integral
Part of the Financial Statements

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. Background

Dixie Workshops, Inc. is incorporated under the laws of the state of Utah as a nonprofit organization. Dixie Workshops, Inc. provides services for people with disabilities who are citizens of Washington County, Utah.

B. General

The accompanying financial statements of the Dixie Workshops, Inc. have been prepared in accordance with generally accepted accounting principles which require the use of management estimates and the accrual basis of accounting. Contributions are recorded when received unless susceptible to accrual.

C. Basis of Presentation

Dixie Workshops, Inc. has adopted Statement of the Financial Accounting Standards (SFAS) No. 117, *"Financial Statements of Not-for-Profit Organizations."* Under SFAS No. 117, Dixie Workshops, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

E. Description of Programs

Day Treatment:

This program provides meaningful daily experience to adult with disabilities through community experiences, and/or facility-based programs. The program includes transportation to and from residential setting, necessary supplies, supervision, assessment, evaluation, tools and time. The program is reimbursed by the Utah State Division of Services for People with Disabilities (DSPD) according to units of services rendered. Rate of reimbursement is determined by DSPD and monitored by a case worker. Wages for the adults with disabilities trainees are taken from local income.

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supported Employment:

This program provides training and maintenance of adults with disabilities in a community employment situation. Services include transportation, job coaching, assessment, evaluation, tools and time. The program is reimbursed by DSPD according to units of services rendered. Rate of reimbursement is determined by DSPD and monitored by a case worker. Local revenues are used as wages to pay handicapped workers where the individual isn't directly employed by participating business.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

F. Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

G. Income Taxes

No provision has been made for Federal income taxes because Dixie Workshops, Inc. is exempt from Federal income tax as an education organization that was organized under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2008.

NOTE 2: CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments.

All funds are deposited into one consolidated checking account which is insured by FDIC up to \$100,000. On June 30, 2008, Dixie Workshops' bank balance was \$18,232 and the book balance was \$11,483.

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3: RECEIVABLES

Receivables at June 30, 2008, are deemed to be fully collectible by management and consisted of amounts receivable from State of Utah Division of Services for People with Disabilities of \$41,106.

NOTE 4: FIXED ASSETS

Expenditures for fixed assets are carried at cost. Donated assets are recorded at their estimated fair market values at the date of donation. All expenditures for fixed assets in excess of \$500 are capitalized. Depreciation of fixed assets is calculated on the straight line basis over the asset's useful life.

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation for the year ended June 30, 2008 was \$8,779.

NOTE 5: LONG TERM DEBT

Long-term debt at June 30, 2008 consisted of the following:

Note payable due Wells Fargo Bank in monthly installments of \$ 407.76 including interest at 9% with final payment due March 2013, secured by a 2006 Ford F350 Van	\$ 18,818
Note payable to Wells Fargo Bank in monthly installments of \$260.84 including interest of 7.64% with final payment due February 2014, secured by a 2005 Mazda MPV Van.	14,342
Note payable to Wells Fargo Bank in monthly installments of \$410.00 including interest of 5.2% with final payment due July 2008, secured by a 2000 Ford Lariat Truck.	2,071
Note payable to Wells Fargo Bank in monthly installments of \$261.02 including interest of 7.99% with final payment due April 2011, secured by a 2003 Chevrolet Venture Van.	7,923
Lease payable to Chase Manhattan Bank in monthly installments of \$299.05 including interest of 7.99% with an option payment due December 28, 2011 of \$14,755, secured by a 2009 Subaru Forester.	<u>23,852</u>
Total	67,006
Less Current Portion	<u>(12,613)</u>
Total Long-Term Debt	<u>\$ 54,393</u>

DIXIE WORKSHOPS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5: LONG TERM DEBT (Continued)

Maturities of long-term debt are as follows:

<u>Year Ending</u>	<u>Principal Amount Due</u>	<u>Interest Amount Due</u>	<u>Total Amount Due</u>
6/30/2009	\$ 12,613	\$ 4,219	\$ 16,832
6/30/2010	11,359	3,385	14,744
6/30/2011	11,723	3,077	14,800
6/30/2012	22,951	2,096	25,047
6/30/2013	6,348	1,181	7,529
6/30/2014	<u>2,012</u>	<u>52</u>	<u>2,064</u>
Total Long-Term Debt	<u>\$ 67,006</u>	<u>\$ 14,010</u>	<u>\$ 81,016</u>

NOTE 6: CONCENTRATION OF SERVICE REVENUE

Nearly all of Dixie Workshops' support is provided through a contract obtained with the Utah Division of Services for People with Disabilities. Loss of this support would have a materially adverse effect on Dixie Workshops, Inc. ability to continue operations. The current contract terminates on June 30, 2008 and is expected to be renewed.

NOTE 7: COMMITMENTS

Dixie Workshops, Inc. entered into a noncancellable operating lease for a building. Rental expense under operating lease agreements was \$35,730 for the year ended June 30, 2008. Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2008 are as follows:

Year Ending June 30

2009	37,800
2010	34,650



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Dixie Workshops, Inc.

We have audited the financial statements of Dixie Workshops, Inc. (a Nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dixie Workshops' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the Dixie Workshops' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting [see finding 2008-1].

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the deficiency described above is not considered to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dixie Workshops' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and the state of Utah and is not intended to be and should not be used by anyone other than these specified parties.

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
December 29, 2008



AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

BOARD OF DIRECTORS
DIXIE WORKSHOPS, INC.

We have audited the financial statements of Dixie Workshops, Inc. a nonprofit corporation, for the year ended June 30, 2008 and have issued our report thereon dated December 29, 2008. As part of our audit, we have audited Dixie Workshop's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2008. Dixie Workshops, Inc. received the following major assistance program from the State of Utah: Title XIX Home & Community Based Waiver (Division of Services for People with Disabilities).

Dixie Workshops, Inc. also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Dixie Workshop's financial statements.) Specialized Rehabilitative Services (Division of Rehabilitation Services).

The management of Dixie Workshop, Inc. is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Dixie Workshop's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Dixie Workshops, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2008.

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
December 29, 2008

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DIXIE WORKSHOPS, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Finding 2008-1: The Organization does not have adequate separation of duties. The Organization has the same person doing the bank reconciliations, general ledger input, signs checks, does deposits, and pays invoices.

Management's response: The Organization agrees with the finding and has hired someone to handle the accounting functions.